

# DEFENSE INTELLIGENCE AGENCY



Committed to Excellence in Defense of the Nation



## Office of the Inspector General

Semiannual Report to Congress

April 1, 2017–September 30, 2017

**Defense Intelligence Agency  
Office of the Inspector General  
Semiannual Report to Congress  
3<sup>rd</sup> and 4<sup>th</sup> Quarters, FY 2017**

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## DEFENSE INTELLIGENCE AGENCY

WASHINGTON, D.C. 20340-5100



### *Message from the Inspector General*

I am pleased to present the Defense Intelligence Agency (DIA) Office of the Inspector General (OIG) semiannual report (SAR) to the U.S. Congress for the reporting period April 1, 2017, through September 30, 2017. This summary of accomplishments is reported in accordance with the Inspector General Act of 1978, as amended.

This rating period, we prepared our first unclassified SAR. All caveated and classified information was extracted and is provided in a separate annex. We anticipate that this increased transparency will better inform the intelligence and oversight communities, as well as the public. We are also reaching out across the Defense Intelligence oversight community to learn and improve by benchmarking processes and projects. These efforts align with our updated strategic plan and communications.

Over the past 6 months, our auditors, inspectors, and investigators continued to detect and deter fraud, waste, and abuse and protect the integrity and effectiveness of DIA programs. Audit highlights include completion of the FY 2016 evaluation of compliance with the Improper Payments Elimination and Recovery Act (IPERA), which determined that DIA complied with IPERA, and an audit of indefinite-delivery/indefinite-quantity contracts that identified eight recommendations to improve management's ability to monitor the timeliness of contract awards. Inspections highlights include an evaluation of the Credibility Assessment Program that recommended process improvements; an inspection of the Freedom of Information Act Program that resulted in recommendations to define objectives, roles, responsibilities, and responsiveness; and an inspection of compliance with the Federal Information Security Modernization Act that identified issues related to DIA's processes for risk management and information security continuous monitoring. Our Audits and Inspections teams worked with DIA management to close six recommendations and are actively working seven announced audits and inspections. Our Investigations Division opened 51 cases, closed 51 cases, and has 85 ongoing investigations.

In closing, I thank our OIG team of professionals for contributing to the work contained in this report. We also continue to recognize the collaboration and support of DIA managers at all levels, without which we would not be able to perform our mission in a timely, independent, and objective manner. Finally, I thank Congress and the outgoing DIA Director for their enduring commitment to supporting the important work of our office.

This report and the annex are posted on the Joint Worldwide Intelligence Communications System at <https://www.dia.ic.gov/admin/IG/> and on the Secret Internet Protocol Router Network at <http://www.dia.smil.mil/admin/IG/>. A link can also be found on the Internet through <http://www.dia.mil/About/Office-of-the-Inspector-General/>.

Handwritten signature of Kristi M. Washull in blue ink.

Kristi M. Washull  
Inspector General



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<sup>1</sup> The Annex contains caveated and classified information, so it is provided under separate cover.



## About the DIA Office of the Inspector General

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The Office of the Inspector General (OIG), established by the Inspector General Act of 1978, as amended, is an independent office of DIA. Our impartial oversight of DIA promotes the economy and efficiency of Agency programs and operations and compliance with statutory and regulatory guidance. Our activities are guided by our mission, vision, and values.

### Our Mission

Conduct independent, objective, and timely oversight across the DIA Enterprise to: promote economy and efficiency; detect and deter fraud, waste, abuse, and mismanagement; and inform DIA and Congress.

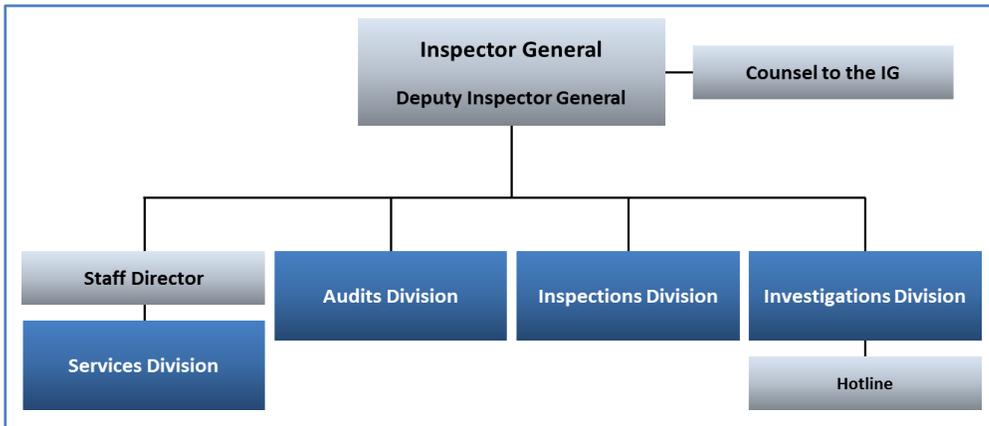
### Our Vision

An inclusive and dynamic team of professionals that is a catalyst for accountability and positive change, compelling a more unified, adaptive, relevant, and agile DIA Enterprise.

### Our Values

- *Teamwork:* Collaboratively partner internally and across organizational boundaries to achieve common goals.
- *Integrity:* Courageously adhere to the highest ethical principles and honor confidentiality, objectivity, and trustworthiness.
- *Excellence:* Provide the highest quality products and customer service.
- *Accountability:* Steadfastly commit to deliver solutions that meet the highest standards.
- *Initiative:* Insightfully solve challenges and organize priorities.

## OIG Organization



**Figure 1: (U) OIG Organization**

### Audits

The Audits Division is responsible for conducting audits and attestations on all aspects of DIA operations, resulting in recommendations that reduce costs, improve operational efficiency and effectiveness, strengthen internal controls, and achieve compliance with laws, regulations, and policy. It is also responsible for conducting the annual independent audit of the Agency's financial statements. All audits and attestations are conducted in accordance with standards established by the Comptroller General of the United States.

### Inspections

The Inspections Division is responsible for evaluating the efficiency and effectiveness of DIA organizations, programs, and functions by conducting in-depth reviews across the Agency that examine and assess processes, procedures, internal controls, performance measures, compliance with regulatory and policy guidance, interrelationships, and customer satisfaction. Evaluation methods may include comparative analysis and benchmarking against the Intelligence Community, public or private sector, and academia.

### Investigations

The Investigations Division is responsible for conducting proactive and reactive administrative and criminal investigations. Its primary objectives are to detect, deter, and report fraud, waste, and abuse within DIA; facilitate criminal prosecution or management-directed disciplinary action against employees when allegations are substantiated; and identify and report internal control weaknesses that could render DIA programs and systems vulnerable to exploitation. The Investigations Division, in coordination with the DIA Office of the General Counsel (via the Counsel to the Inspector General) and the DIA Director of Oversight and Compliance, also investigates reports of questionable intelligence activity, as defined by Executive Order 12333, United States Intelligence Activities, as amended.

## **Hotline Program**

The OIG Hotline Program is a confidential and reliable means for DIA employees and the public to report fraud, waste, mismanagement, and abuse of authority within DIA. The program's primary role is to receive and evaluate concerns and complaints and to determine the agency or responsible element best suited to take appropriate action.

## **Services**

The Services Division is responsible for managing all administrative programs and services directly supporting OIG. The Services Division enables useful audit, inspection, and investigation activities and facilitates timely production of intelligence management and oversight products for DIA senior leaders and congressional overseers. The division's functions include, but are not limited to, manpower, budget, records management, correspondence, Freedom of Information Act and Privacy Act responses, security, planning, training, and information systems.

## **Statutory Reporting**

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### **Reports to the Director of Refusal to Provide Information**

Section 5(a)(5) of the Inspector General (IG) Act of 1978 requires IGs to promptly report to the head of the establishment if information requested is unreasonably refused or not provided. No such reports were needed or made during this reporting period.

### **Reports Previously Issued That Lacked Management Comment Within 60 Days**

Section 5(a)(10)(B) of the IG Act of 1978, as amended by the IG Empowerment Act, requires IGs to provide a summary of each audit, inspection, and evaluation report issued prior to the current reporting period for which no establishment comment was returned within 60 days of delivery of the report. In May 2016, we issued our draft audit report on DIA's other direct costs and received comments 70 days after delivery of the draft report. This report identified issues with controls over the validation and approval of contract charges prior to payment, and identified approximately \$3.2 million in potential monetary benefits. We published the final report in August 2016. The timeframe for these comments was not significantly longer than for other reports sent to the Chief Financial Officer. All other issued reports generated establishment comment within 60 days of delivery.

### **Significant Revised Management Decisions**

Section 5(a)(11) of the IG Act of 1978 requires IGs to describe and explain the reasons for any significant revised management decisions made during the reporting period. We are not aware of revisions to any significant management decisions during this reporting period.

### **Significant Management Decisions With Which the IG Disagrees**

Section 5(a)(12) of the IG Act of 1978 requires IGs to provide information concerning any significant management decisions with which they disagree. During this reporting period, there were no instances in which the IG disagreed with significant management decisions made.

### **Federal Financial Management Improvement Act of 1996**

Section 5(a)(13) of the IG Act of 1978 requires IGs to provide information described under section 804(b) of the Federal Financial Management Improvement Act of 1996. This information involves the instances and reasons when an agency has not met target dates within its remediation plan to bring financial management systems into compliance with the law. DIA has not missed its target remediation plans for bringing financial management systems into compliance.

## **Attempts to Interfere With the IG's Independence**

Section 5(a)(21) of the IG Act of 1978, as amended by the IG Empowerment Act, requires IGs to provide detailed descriptions of any attempts by their establishments to interfere with their independence. We did not experience any attempts to interfere with our office's independence during this reporting period.

## **Public Disclosure**

Section 5(a)(22) of the IG Act of 1978, as amended by the IG Empowerment Act, requires IGs to provide detailed descriptions of inspections, evaluations, audits, and investigations involving senior Government employees that were closed during the reporting period without being publicly disclosed. Summaries of all such work are included in the appropriate sections of this report.

## **Peer Reviews**

Sections 5(a)(14–16) of the IG Act require IGs to report information about peer reviews that their offices have conducted or been subject to. During this reporting period, our office received two peer reviews and led the peer review of another OIG.

- The Central Intelligence Agency (CIA) OIG conducted a peer review of our audit organization covering the 3-year period ending April 30, 2017. We received a rating of pass with a letter of comment. The letter of comment included four recommendations. We have either planned or taken actions on all of them.
- The first-ever peer review of our Inspections & Evaluations operations, led by the National Geospatial-Intelligence Agency OIG, was initiated on September 18, 2017. Outcomes of the review will be reported in the next semiannual report (Spring 2018).
- We conducted a peer review of the CIA OIG Inspections & Evaluations function beginning April 21, 2017, and lasting through June 8, 2017. There are no outstanding recommendations.

## DIA Conference Reporting

Section 3003 of the Consolidated and Further Appropriations Act of 2013 requires the heads of executive branch organizations to provide certain details to the IG regarding the organization's involvement in conferences. The table below represents DIA's reported conference costs with totals that exceed the reporting threshold of \$20,000. Most reported costs are estimates. DIA continues to refine governance procedures to more reliably report actual costs within required timeframes. We have not verified the accuracy or completeness of the data reported below.

Conference Name	Type	Estimated Cost	Actual Cost
2017 Department of Defense Intelligence Information Systems Worldwide Conference	DIA-hosted	\$ 893,500	\$ 497,406.85
Defense Clandestine Service FY17 Global Summit	DIA-hosted	\$ 409,208	Pending
Asia-Pacific Intelligence Chiefs Conference (APICC) 2017	DIA jointly-hosted	\$ 359,924	Pending
Surface-to-Air Missile Symposium	DIA-hosted	\$ 245,250	Pending
June 2017 National Security Analysis & Intelligence Summer Seminar (NSAISS)	DIA-hosted	\$ 228,533	Pending
2017 Defense Combating Terrorism Intelligence Conference	DIA-hosted	\$ 226,092	Pending
August 2017 National Security Analysis & Intelligence Summer Seminar	DIA-hosted	\$ 192,133	Pending
FY17 Joint Reserve Intelligence Program Annual Conference and Operations Officer Training	DIA-hosted	\$ 179,802	\$ 59,652.25
DoD CI & HUMINT Enterprise Working Group	DIA jointly-hosted	\$ 175,992	Pending
Defence Open Source Council (DOSC) Offsite	Non-DoD-hosted	\$ 100,746	\$ 19,376.61
APRC DAS Collection Management Workshop 2017	DIA-hosted	\$ 99,522	Pending
Iran Senior Leader Seminar (SLS)	DIA-hosted	\$ 98,000	Pending
RSA Conference	Non-DoD-hosted	\$ 94,029	\$ 311,827.65

<b>Conference Name</b>	<b>Type</b>	<b>Estimated Cost</b>	<b>Actual Cost</b>
Operations Coordinator (OPSCO) Training Seminar, DAS-2	DIA-hosted	\$ 93,707	Pending
40th Annual American Association of Police Polygraphist Seminar	Non-DoD-hosted	\$ 91,967	\$ 55,806.73
2017 Senior Enlisted Intel Threat Seminar	DIA-hosted	\$ 91,921	\$ 99,527.03
2017 Europe Collection Management Workshop	DIA-hosted	\$ 85,915	Pending
Defense HUMINT and CI Advisory Group (DHCAG)	DIA-hosted	\$ 78,406	Pending
DAS 7 Collection Management Workshop 2017	DIA-hosted	\$ 76,589	Pending
Federally Employed Women National Training Program	Non-DoD-hosted	\$ 76,082	Pending
USPACOM-Hosted, DIA Cost-Share Senior Defense Official/Defense Attache (SDO/DATT) Operational Workshop (20–24 March 2017)	DIA jointly hosted	\$ 73,967	Pending
LOG-2C Accountable Property Officer Workshop 2017	DIA-hosted	\$ 63,825	Pending
2017 Black Hat / DEFCON / Security B-Sides	Non-DoD-hosted	\$ 63,296	Pending
Americas Regional Center Collection Management Operational Workshop 2017	DIA-hosted	\$ 62,898	Pending
2017 Leadership Summit for Women in National Security Careers	Non-DoD-hosted	\$ 45,825	Pending
The Commonwealth Conference on National Defense and Intelligence	Non-DoD-hosted	\$ 42,398	Pending
2017 Senior Enlisted Intelligence Conference	DIA-hosted	\$ 40,648	\$ 34,012.11
Interop Conference	Non-DoD-hosted	\$ 39,844	Pending
2017 Blacks In Government National Training Institute	Non-DoD-hosted	\$ 38,000	Pending

<b>Conference Name</b>	<b>Type</b>	<b>Estimated Cost</b>	<b>Actual Cost</b>
ServiceNow Knowledge 17	Non-DoD-hosted	\$ 35,152	\$ 26,287.62
Learning 16	Non-DoD-hosted	\$ 34,832	Pending
2017 SDO/DATT Conference	DIA jointly-hosted	\$ 34,505	Pending
March 2017 Object-Based Production Governance Workshop	DIA-hosted	\$ 33,781	Pending
In-Q-Tel CEO Summit	Non-DoD-hosted	\$ 32,592	Pending
CIO Manager's Retreat at Airlie	DIA-hosted	\$ 28,918	\$ 21,956.00
Analysis Career Field Career Development Summit 2017	DIA-hosted	\$ 25,584	Pending
Mad Scientist Robotics, Artificial Intelligence, and Autonomy	Non-DoD-hosted	\$ 22,048	Pending
<b>Total Estimated Costs</b>		<b>\$ 4,615,430</b>	

## **Summary of Legislative and Regulatory Review**

Section 4(a) of the IG Act of 1978 requires IGs to review existing and proposed legislation and regulations relating to the programs and operations of their respective organizations. Our reviews include legislation, executive orders, memorandums, directives, and other issuances. The primary purpose of our reviews is to assess the impact of proposed legislation or regulations on the economy and efficiency of programs and operations administered or financed by DIA, or the potential for fraud and abuse in these programs. During the reporting period, we reviewed proposed changes to the following:

<b>Description</b>	<b>Number Reviewed</b>
Legislation	3
Department of Defense Issuances	42
Defense Intelligence Agency Issuances	19
Office of the Director of National Intelligence Issuances	2
Executive Orders	1

## Summary of Audit Activity

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### **Evaluation of DIA's Compliance with the Improper Payments Elimination and Recovery Act for Fiscal Year 2017 (Project No. 2017-1002)**

We reviewed DIA's fiscal year (FY) 2016 Agency Financial Report and documentation used to support its estimated improper payments and determined that DIA complied with the Improper Payments Elimination and Recovery Act, as amended, for FY 2016, as applicable and required by Office of Management and Budget Memorandum M-15-02. We issued our final report with no findings or recommendations on May 5, 2017.

### **Audit of Indefinite-Delivery/Indefinite-Quantity Contracts (Project No. 2016-1004)**

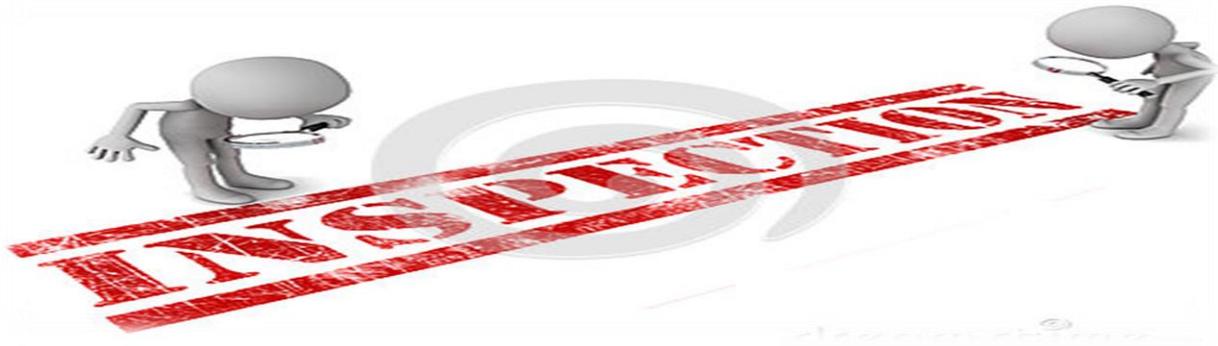
Our objective was to determine whether DIA timely awarded indefinite-delivery/indefinite-quantity (IDIQ) contracts and task orders and had effective controls over approval and pricing for these awards. We found that the Chief Financial Officer, Contracting Operations Division, could not determine the timeliness of IDIQ contract awards because it did not consistently establish contract milestones or record completion dates. Management's tools for aggregating data and monitoring timeliness were also ineffective. As a result, DIA awarded six IDIQ contracts 3 to 5 months later than planned. For five of these contracts, the contract management system inaccurately indicated that award took less than 1 month. Also for one contract, the delay increased the ceiling price by \$4.77 million. By monitoring timeliness, management could gain insights to improve the efficiency of contracting operations and enhance responsiveness to mission needs. We also reported deficiencies in the documentation supporting award decisions and internal reviews completed. We identified \$4.77 million in funds that could be put to better use. The Chief Financial Officer agreed with all eight of our recommendations. We transmitted the final report on August 11, 2017.

### **Additional Audit Efforts**

We continue our close coordination with Agency management to develop corrective action plans for all open audit recommendations. We engaged an independent public accounting firm to audit DIA's FY 2017 financial statements, and we continue our oversight efforts on that audit. We completed an audit on the DIA government purchase card program and DIA's use of government purchase cards and are awaiting management's response. We are preparing a draft report on the Manager's Internal Control Program. We expect the results of these efforts to appear in our next report. In addition, audits currently underway address the contract requirements process and unliquidated obligations.

## Summary of Inspection Activity

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### **Evaluation of the Freedom of Information Act Program, Project 2016-2005**

We evaluated processes associated with the DIA Freedom of Information Act (FOIA) program and its capability and capacity to efficiently and effectively respond to FOIA requests. We assessed that DIA had a sound foundation for an effective FOIA program, and policy and practices were effective at mitigating the risk of inadvertent disclosure of classified information while remaining responsive to FOIA requests. However, we found that the program lacked defined objectives, goals, and metrics focused on assessing effectiveness, performance, and responsiveness. Similarly, we noted a lack of guidance on roles and responsibilities for directorate and office personnel involved in processing FOIA requests. We issued our final report on May 10, 2017, with two recommendations to improve the capability and capacity of the FOIA program. Management agreed with the recommendations and provided an action plan to implement them.

### **Evaluation of the Credibility Assessment Program, Project 2017-2002**

We evaluated DIA's Credibility Assessment Program (CAP) policies, processes, and procedures to assess efficiency and effectiveness in prioritizing and administering polygraph examinations. We also evaluated examiner training, experience, and oversight to gauge consistency with approved methods and protocols. The CAP served the Agency's broader security program interests by contributing to a "whole person" assessment when determining eligibility for access to classified information. We presented two recommendations on internal controls that will improve the program's efficiency and effectiveness.. Management agreed with the recommendations and implemented immediate corrective actions. We issued our final report on September 21, 2017.

### **Inspection of Compliance with the Federal Information Security Modernization Act (FISMA), Project 2017-2005**

We inspected DIA's information security policies and practices using eight metric domains that corresponded to the five Cybersecurity Framework Functions (Detect, Respond, Protect, Identify, and Recover) prescribed by the Federal Chief Information Officer at the Office of Management and Budget and the Department of Homeland Security. DIA was fully compliant

with the Incident Response and Identity and Access Management metrics. DIA continued to make incremental progress on resolving previous FISMA recommendations. We issued five recommendations with our 2016 FISMA report, two of which have been closed. In this report, we reissued the three remaining 2016 recommendations and issued four new recommendations. We issued our final report on September 20, 2017.

### **Additional Inspection Efforts**

We coordinated closely with Agency management to close six recommendations from prior inspections. We continue to work with Agency managers on planned actions to satisfy other open recommendations. We continue to work on evaluations of the National Media Exploitation Center, governance and management of the Defense HUMINT Enterprise, and human capital services and anticipate submitting the results of our final reports in our next semiannual report.

## Summary of Investigations Activity

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### Investigative Activity Overview

#### **Cost Mischarging Investigations**

During this reporting period, we completed two investigations involving two separate allegations of contractor cost mischarging by DIA contractors. However, we did not substantiate any allegations of false official statements; false, fictitious, or fraudulent claims; and theft of public funds (cost mischarging—labor hours) by either contractor. Nor did we identify any Government funds lost through fraudulent activities.

#### **Time and Attendance Fraud Investigations**

During this reporting period, we completed two investigations associated with two separate allegations of time and attendance fraud by DIA employees. We substantiated one of the two allegations, identifying \$11,429.06 in Government funds lost through fraudulent activities. We are awaiting response from the Office of the Chief Financial Officer regarding efforts to recover the identified funds and from responsible DIA management officials to take disciplinary action.

#### **Misuse of Government Resources Investigations**

Through routine monitoring of Internet usage and network traffic, DIA's Chief Information Officer identifies instances of users' viewing inappropriate content of a sexual nature and notifies our office that they've occurred. During this reporting period, we referred three such reports of suspected misuse of Government information technology systems to DIA management for action. We are presently awaiting responses regarding actions taken.

#### **Whistleblower Reprisal Investigations**

During this reporting period, we completed two investigations involving two separate allegations of whistleblower reprisal made against DIA personnel. We did not substantiate either allegation. We also received a separate (third) reprisal complaint from a DIA Government employee assigned to the U.S. European Command (USEUCOM) Directorate for Intelligence (J2), who alleged that she had been the victim of a retaliatory action made by her supervisor (an active duty military officer also assigned to USEUCOM J2). Since the alleged subject of the complaint was

not assigned to DIA, we determined that this matter fell within the purview of the USEUCOM Office of the Inspector General and, accordingly, referred the complaint to that office.

### **Employee Misconduct**

During the period, we investigated two separate allegations of employee misconduct. In one case, we substantiated an allegation that a DIA civilian employee committed an ethical violation (title 5, Code of Federal Regulation, § 2635.702, “Use of Public Office for Private Gain”). In the second case, although we did not substantiate the allegation made against a DIA civilian employee, we did identify a management deficiency that may have originally contributed to the situation.

### **Other Investigative Activities**

During the period, we conducted five other investigations related to the following allegations: waste of government resources, failure to receive due process, travel expense fraud, procurement integrity, and unauthorized personnel action. We substantiated allegations in three of the five investigations (waste of government resources, travel expense fraud, and procurement integrity). Summaries of these cases are provided on pages 17–19 of this report.

**Table: Investigations Case Summaries**

DESCRIPTION	QUANTITY
Investigations <sup>2</sup>	
Cases Opened in Reporting Period <sup>3</sup>	51
Cases Closed in Reporting Period	51
Cases Still Open at End of Reporting Period <sup>4</sup>	85
Investigation Reports Issued in Reporting Period	15
Referrals in Reporting Period (Number of Cases)	15
Referred to Management (Number of Cases)	15
Referred to Prosecutorial Authority (Number of Cases) <sup>5</sup>	3
Number of Persons Referred to Department of Justice for Criminal Prosecution	6
Number of Persons Referred to State or Local Prosecuting Authorities for Criminal Prosecution (includes military authorities)	0
Total Number of Indictments and Criminal Informations Resulting from Prior Referral to Prosecuting Authorities	0

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<sup>2</sup> Description of Metrics: All metrics provided were developed as a result of reviewing all relevant individual cases (including those opened and closed during this reporting period), as well as cases remaining open at the end of the previous reporting period (October 1, 2016–March 31, 2017).

<sup>3</sup> The total number of cases opened or closed in the reporting period and cases remaining open at the end of the reporting period include administrative and criminal cases.

<sup>4</sup> The Investigations Division transitioned to a new case management system during summer 2016. As a result, we adjusted our number of open cases at the end of the previous reporting period in order to properly reflect updated totals. The correct figure for open cases should have been 85, instead of 124.

<sup>5</sup> This number reflects the number of cases that resulted in referrals to prosecutorial authorities. The information that follows addresses the number of individuals involved in those referrals. Therefore, the numbers will not match.

## Summaries of Published Investigative Reports

### **Waste of Government Resources Investigation, Case 2017-5006-OI**

We determined that two DIA senior officials<sup>6</sup> allowed three DIA civilian employees assigned to DIA's Directorate for Analysis to use official Government travel funds for expenses associated with routine work and without conducting a cost analysis or considering alternative means. Although we did not identify any violations of the Joint Travel Regulations, the resulting travel costs (estimated at \$57,107.24) could have been avoided and put to better use. Because we did not substantiate any violation of Federal law or regulation, this case was not referred to the Office of the Assistant U.S. Attorney (AUSA) for consideration of potential criminal prosecution.

### **Employee Misconduct, Case 2017-5010-OI**

We substantiated an allegation that a DIA senior official<sup>7</sup> violated title 5, Code of Federal Regulation, § 2635.702, "Use of Public Office for Private Gain," when he misused his official position and access to a Federal facility (closed to the general public) to post information that promoted and encouraged membership in an organization from which he would benefit. As this represented an ethical (not criminal) violation, this case was not referred to the AUSA for consideration of potential criminal prosecution. Of note, responsible DIA management officials subsequently issued a written letter of reprimand to the official on August 8, 2017.

### **Employee Misconduct, Case 2016-500037-OI**

We did not substantiate an allegation that a DIA civilian employee may have smuggled a war trophy into the United States and violated title 18, United States Code, section 641 (18 U.S.C. § 641), "Theft of Government Property." However, we identified a management deficiency that, if addressed, could preclude inadvertent shipment of unauthorized items from an overseas theater of operations. As a result, our report provided one recommendation to DIA's Mission Services, which was subsequently accepted and successfully addressed.

### **Contractor Cost Mischarging Investigation, Case 2016-500048-OI**

We did not substantiate multiple allegations of false official statements; false, fictitious, or fraudulent claims; and theft of public funds (cost mischarging—labor hours) by a DIA contractor. However, although there was no monetary loss, our report included one recommendation to the DIA Chief Financial Officer.

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<sup>6</sup> The term "senior officials" is used here for GG-15 and above personnel, as laid out in the IG Empowerment Act of 2016.

<sup>7</sup> Ibid.

### **Reprisal Investigation, Case 2016-500054-OI**

We did not substantiate allegations of whistleblower reprisal and unethical conduct made by a military officer assigned to DIA against his DIA civilian leadership. The officer alleged that two DIA senior officials<sup>8</sup> and one DIA civilian employee engaged in unethical conduct based on their personal dislike of him and retaliated against him by downgrading his end-of-tour award and giving him a poor Officer Evaluation Report (OER) because of a protected communication the officer made to a DIA senior official. We determined that the alleged downgraded award and OER were based on the officer's conduct and were within management's authorities and discretion.

### **Failure to Receive Due Process Investigation, Case 2016-5056-OI**

We did not substantiate an allegation that a former military student at the DIA Joint Military Attaché School was not provided due process prior to his removal from the JMAS program. We concluded that the steps taken by JMAS to address the procedural violations committed by the student were warranted, and the decision to remove him from JMAS was within their purview.

### **Cost Mischarging Investigation, Case 2016-5061-OI**

We did not substantiate an allegation that a commercial company under contract to DIA overbilled the Agency for services provided to the National Media Exploitation Center (NMEC). Our investigation discovered that between January 2015 and August 2016, the company had increased its billing charges while simultaneously decreasing the amount of translation support services provided. However, the contract itself was identified as a firm-fixed-price, level-of-effort contract governed by qualitative (not quantitative) production requirements. Further, the company's production effort was deemed acceptable by NMEC management throughout the performance period. As a result, we determined that evidence was insufficient to conclude that the company fraudulently billed DIA.

### **Travel Expense Fraud Investigation, Case 2016-5067-OI**

We substantiated allegations of false official statements, false claims, and theft of public funds by a DIA civilian employee. We determined that the employee fraudulently prepared, signed, and submitted travel expense vouchers between August 21, 2011, and November 1, 2012, for Government funds to which he was not entitled. The loss to the Government is estimated at \$2,782.99. Recoupment of funds and disciplinary actions are pending.

### **Procurement Integrity Act Investigation, Case 2016-5084-OI**

We substantiated allegations that four contractors violated 18 U.S.C. § 641, "Theft of Government Property," as well as the security provisions of their contract with DIA, when they knowingly and willingly participated in activities leading to the unauthorized removal of

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<sup>8</sup> The term "senior officials" is used here for GG-15 and above personnel, as laid out in the IG Empowerment Act of 2016.

classified and programmatic information from DIA control. Of note, each contractor admitted that the purpose for removing the U.S. Government information was to prepare a business proposal for forthcoming business with DIA. Because the extent of the exposure of Government information is unknown, we initiated a separate investigation into these activities and, if warranted, will publish the results in a separate report.

#### **Time and Attendance Fraud Investigation, Case 2017-5002-OI**

We substantiated allegations of false official statements, false claims, and theft of public funds by a DIA civilian employee. We determined that the employee fraudulently prepared, signed, and submitted timesheets from September 6, 2015, to October 1, 2016, claiming a total of 353.65 regular work hours that he did not work. The loss to the Government is estimated at \$11,429.06. Recoupment of funds and disciplinary action are pending.

#### **Time and Attendance Fraud Investigation, Case 2017-5005-OI**

We did not substantiate allegations of false official statements, false claims, and theft of public funds by a DIA civilian employee. We determined that evidence was insufficient to conclude that the employee fraudulently prepared, signed, and submitted timesheets from June to November 2015. Consequently, no loss to the Government could be determined.

#### **Reprisal Investigation, Case 2017-5008-OI**

We did not substantiate an allegation of reprisal by a DIA senior official against a former U.S. Army Reserve attaché formerly assigned to a U.S. Defense Attaché Office (USDAO) at a U.S. embassy. The former attaché alleged that the DIA senior official had not renewed her orders to remain on active duty at the USDAO posting or assigned her to another USDAO. The former attaché claimed that this resulted from communications with an embassy official about the local U.S. Defense Attaché. We concluded that, although the former attaché claimed that the communication with the embassy official was protected, it was not.

#### **Unauthorized Personnel Actions, Case 2017-5019-OI**

We did not substantiate allegations of unauthorized personnel actions made against two DIA senior officials. We received an anonymous complaint alleging that the two officials undermined existing Defense Civilian Intelligence Personnel System policy by inserting an additional step into their employee appraisal and rating process during the 2016 rating period. We determined that the process used by the DIA officials did not violate DIA policy or regulation and complied with established appraisal and rating procedures.

### **Investigative Activity Support**

#### **Personnel Vetting**

During this reporting period, we completed 1,445 individual checks for derogatory information within OIG records in response to 224 total requests. These requests originated within DIA, as

well as from external Federal agencies. These requests involve present and former DIA military, civilian, and contractor personnel who are seeking job placement or advancement, are under consideration for awards, or are undergoing screenings or background investigations to obtain security clearances.

## Appendix A, Statistical Tables

**Table A-1: Reports (Audits and Inspections) With Questioned and Unsupported Costs**

DESCRIPTION	NUMBER OF REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
Reports for which no management decision was made by beginning of reporting period	2	\$3,732,428	\$1,532,428
Reports issued during reporting period	–	–	–
Reports for which a management decision was made during reporting period			
1. Dollar value of disallowed costs	–	–	–
2. Dollar value of allowed costs	–	–	–
Reports for which no management decision was made by the end of the reporting period	2	\$3,732,428	\$1,532,428
Reports for which no management decision was made within 6 months <sup>9,10</sup>	2	\$3,732,428	\$1,532,428

<sup>9</sup> Audit of Other Direct Costs (ODC) on DIA Contracts, Project 2015-100003-OA (August 11, 2016): The objective was to determine whether ODC on contractor invoices were accurate and allowable in accordance with regulations and contract terms. We found that DIA contracting officer's representatives approved payments without ensuring that billed charges were accurate and allowable. As a result, DIA had no assurance that \$26.3 million of ODC were paid in accordance with regulations and contract terms. We identified \$1 million in unsupported costs and about \$2.2 million in questioned costs. Management is working on policy to help prevent these types of questioned costs from reoccurring in the future. However, they have taken no action on exploring the recovery of questioned and unsupported costs.

<sup>10</sup> Audit of DIA's Contract Surveillance, Project 2013-100010-OA (September 30, 2015): The objective was to determine whether DIA's contract surveillance processes and procedures were adequate to ensure that supplies and services were received and accepted in accordance with contract requirements and regulations. We found that DIA contracting officials and requiring activity personnel did not provide sufficient technical oversight to ensure that contractors performed in accordance with contract specifications. As a result, DIA had limited assurance that \$373.8 million in services and supplies met contract requirements. We also identified \$532,428 in unsupported costs for travel, tuition, and housing claimed under ODC in the invoices we reviewed. Management enhanced controls and took other actions to satisfy recommendations A.3. and A.4. We are awaiting documentation to support the actions taken.

**Table A-2: Reports (Audits and Inspections) With Recommendations That Funds Be Put to Better Use**

DESCRIPTION	NUMBER OF REPORTS	FUNDS PUT TO BETTER USE
Reports for which no management decision was made by the beginning of reporting period	–	–
Reports issued during reporting period	1	\$4,770,000
Reports for which a management decision was made during reporting period		
1. Dollar value of recommendations agreed to by management	–	–
2. Dollar value of recommendations not agreed to by management	–	–
Reports for which no management decision was made by the end of the reporting period	1	\$4,770,000
Reports for which no management decision was made within 6 months	–	–

**Table A-3: Investigations Dollar Recoveries in Reporting Period**

INVESTIGATION	CASE NUMBER	EFFECTIVE RECOVERY DATE	DOLLARS RECOVERED
Time and Attendance Fraud	2016-500042-OI	3 April 2017	\$14,057.83
Time and Attendance Fraud	2016-500040-OI	16 June 2017	\$6,623.23
Time and Attendance Fraud	2016-500046-OI	19 July 2017	\$3,635.19
Time and Attendance Fraud	2016-500022-OI	27 July 2017	\$16,180.58
		<b>TOTAL</b>	<b>\$40,496.83</b>



**Table A-4: Summaries of Other Investigative Matters**

DESCRIPTION	QUANTITY
<b>Hotline Program</b>	
DIA OIG Hotline Inquiries Received in Reporting Period	121
DIA OIG Hotline Inquiries Closed in Reporting Period	110
<b>Intelligence Oversight</b>	
Cases Opened in Reporting Period	2
Cases Closed in Reporting Period	2
Cases Still Open at End of Reporting Period	3
ROIs Issued in Reporting Period	0
Referred to Management	0
<b>Management Referrals</b>	
Referrals in Reporting Period	6

## Appendix B. Index of Reporting Requirements

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The Inspector General Act of 1978, as amended, requires Inspectors General to report certain information to Congress twice each year. This information highlights activities and significant issues that arise during the reporting period that Congress may be interested in. The table below identifies the semiannual reporting requirements and the location of the corresponding information in this report.

<b>Semiannual Reporting Requirement</b>	<b>Page</b>
4(a)(2) <a href="#">Legislative and regulatory reviews</a>	9
5(a)(1) <a href="#">Significant problems, abuses, and deficiencies</a>	10–19
5(a)(2–3) Recommendations to correct significant problems, abuses, and deficiencies	Annex
5(a)(4) <a href="#">Matters referred to prosecutive authorities and resulting prosecutions and convictions</a>	16–19
5(a)(5) <a href="#">Reports to the Director, DIA of refusals to provide information</a>	4
5(a)(6) <a href="#">List of reports issued during the reporting period</a>	10–19
5(a)(7) <a href="#">Summaries of significant reports</a>	10–19
5(a)(8) <a href="#">Statistical table showing questioned and unsupported costs</a>	21
5(a)(9) <a href="#">Statistical tables showing recommendations that funds be put to better use</a>	22
5(a)(10)(A) <a href="#">Summaries of reports previously issued that still lack management decision</a>	21
5(a)(10)(B) <a href="#">Summaries of reports previously issued that lacked management comment within 60 days</a>	4
5(a)(10)(C) Summaries of reports previously issued that have remaining unimplemented recommendations	Annex
5(a)(11) <a href="#">Significant revised management decisions</a>	4
5(a)(12) <a href="#">Significant management decisions with which the IG disagrees</a>	4
5(a)(13) <a href="#">Federal Financial Management Improvement Act of 1996</a>	4
5(a)(14–16) <a href="#">Peer reviews</a>	5
5(a)(17–18) <a href="#">Investigations statistics and metrics</a>	16
5(a)(19) <a href="#">Investigations involving substantiated allegations against senior officials</a>	17
5(a)(20) <a href="#">Descriptions of whistleblower retaliation</a>	14
5(a)(21) <a href="#">Attempts to interfere with IG independence</a>	5
5(a)(22) <a href="#">Public disclosure</a>	5





## ***REPORT FRAUD, WASTE, and ABUSE***

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